

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

BNB Financial Services Corporation

Point of Contact:	Brent M. Byers	RSSD: (For Bank Holding Companies)	1398973
UST Sequence Number:	926	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	7,500,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	April 17, 2009	City:	New York
Date Repaid ¹ :	N/A	State:	New York

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Subsidiary, BNB Bank, loan portfolio increased by \$2.5 million during 2010; however, new loan originations totaled \$22.5 million for the period.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Subsidiary, BNB Bank, primarily originates and services small business loans and commercial mortgage loans guaranteed by the Small Business Administration. In 2010, BNB Bank was the 18th largest SBA lender, in total dollars, in the country with \$97.3 million in loan approvals.

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☒ Increase securities purchased (ABS, MBS, etc.).

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☐ Make other investments.

☐ Increase reserves for non-performing assets.

☐ Reduce borrowings.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Absent the capital infusion of the CPP funds it is very likely subsidiary bank, BNB Bank, balance sheet would have had to be reduced to comply with regulatory capital requirements. The injection of the \$7.5 million in CPP funds into bank capital allows the bank to support a balance sheet approximately \$77 million larger than it could without the CPP funds. The direct result of a smaller balance sheet would be reduced availability of credit to the communities BNB Bank serves.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

As described previously, BNB Bank was the 18th largest SBA lender in the country, by dollars, in 2010 with \$97.3 million in loan approvals. And, BNB Bank originated \$22.5 million in new loans in 2010. Without the capital infusion of CPP funds it is extremely unlikely the Bank would have been able to issue approvals for, or originate, any new loans. In fact, as mentioned previously, absent the capital infusion of CPP funds it is very likely the Bank's balance sheet would have had to be reduced in size resulting in a reduction of credit available in the communities BNB Bank serves.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.